

## SEC May Pay Whistleblowers

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The **Securities & Exchange Commission** may pay whistleblowers in an attempt to overcome its lack of resources and clamp down on financial fraud, according to chairwoman [Mary Schapiro](#).

Speaking at the Society of American Business Writers and Editors' conference in Denver, Colo., Schapiro explained that the SEC will ask Congress for "whistleblower authority" similar to that used by the **IRS**.

"We need to leverage third parties where we can at the SEC, given our short staffing," she said, explaining that whistleblowers could get financial rewards. "If we can prosecute the case and get a sanction or a fine, then pay the whistleblower the way the IRS does for [cases involving] tax cheats, then I am pretty happy to do that."

Schapiro explained that the agency, which has 3,600 staff members, can receive anything from 750,000 to 1.5 million tips and complaints a year, hence the whistleblower payments.

"It will help us focus on the [cases] where there's the highest probability that there's a really big problem that we can tackle," she said. "My goal is to try to increase the probability that we don't miss the next Bernie Madoff."

The SEC already has a whistleblower payment program in place for insider trading, although this has not been used very successfully, according to Schapiro.

Schapiro admitted that the agency currently has no central database for handling the vast volume of tips and complaints it receives.

"It's not a great picture," she added. "There is no way to mine the data and see that there's a complaint in Boston, in Chicago, and Miami, that, if we put them together, might see the beginning of something really important."

The chairwoman said she has already hired a company called the Center for Enterprise Modernization to build a system to manage tips, complaints and referrals.

"If we can put in place a process that at least gives us the ability to catalog them, to track them, to understand where they have gone, and to look at ones that may be connected, then we will be more effective at handling that massive amount of information," she said.

Schapiro, who took the reins of the SEC in January, is piloting the agency through one of the most difficult times in U.S. economic history. In addition to restoring investor confidence after last year's financial meltdown, the New Yorker is also pushing [President Obama's](#) extensive [overhaul](#) of the U.S. financial system.

"Until investors believe that that they are not powerless against the financial markets, they will put their money in mattresses rather than mutual funds and in bread baskets rather than bonds," she said.

Schapiro acknowledged that the SEC owes it to the American public "to do better," and is working to speed up its investigations and streamline its enforcement procedures.

The SEC chief has already called for tighter [oversight](#) of credit rating companies and federal regulators recently opened up a [public debate](#) on ways to restrict short-selling earlier this month.

However, the chairwoman does not think that the U.S. would be best served by a "super-regulator" similar to the U.K.'s **Financial Services Authority**.

"I don't support a 'super-regulator'," she said, in response to a question from the audience, adding that the U.S. is not a large institutional marketplace like the U.K. "Individual functional regulators under the umbrella of a systemic risk regulator is a model that I think would work best."

Schapiro said that it remains to be seen whether the Federal Reserve would be this "systemic risk regulator," adding that the U.S. has a "once-in-a-lifetime opportunity" to re-organize its regulatory structure.

Despite criticism leveled at the SEC in the aftermath of the financial crisis, another speaker at the Denver event warned that the Fed also needs to get its act together.

"Having dealt with the Fed extensively at the highest level, unless you change the culture of the Fed, which is to protect banks, rather than regulate them, it will not change," said Lynn Turner, the former chief accountant at the SEC.

Turner, who was taking part in a panel discussion before Schapiro's speech, added that federal banking agencies should make consumer protection a top priority.

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